



Freeing Yourself from Holiday Debt

*'Twas the day after New Year's, when all through the house
Not a creature was stirring, just me and my spouse;
We mused at the holiday cheer we had brought
To all of our dear ones, with gifts we had bought:*

*From ties, scarves and sweaters to books and CDs,
All manner of lip-smacking delicacies,
The latest high-tech, packed with features and frills,
But now **how do we pay off our credit card bills?***

If this sounds strangely familiar (and not just because of a brazen similarity to Clement Clark Moore's *The Night Before Christmas*), then you may be suffering the financial effects of your holiday generosity.

You are not alone. The National Retail Federation forecast this year that holiday retail sales would top \$439 billion. And according to an ABC News poll conducted in November, consumers expected to spend more than \$1,000 on holiday gifts. For most of us, that's almost impossible to do without going into debt.

Here are some tips that can help you overcome your holiday debt and be better prepared for next year's holiday spending:

- *Face the facts; avoid denial* – Delaying or avoiding the issue will cost you dearly in late fees and interest charges. It will also worsen your credit score - making your credit cards even more of a burden in the future.
- *Make a payment plan and stick to it* – Plan to make timely payments on every single card, and follow through on your plan *no matter what*. Even a single late payment can have disastrous results. For each card, define a fixed monthly payment (preferably more – even a *little* more – than the minimum due) and stick to it. Do not reduce this fixed amount as the minimum due gets smaller. When you have paid off one card, re-budget by dividing its monthly payment among the other cards.
- *Consider a balance transfer* – Try to transfer your debt from a high-interest card to a lower-interest one. Ask your cards' customer service representative for an attractive deal. But pay attention to the terms! If the low interest rate expires before the debt is paid off, you could end up worse off.
- *Negotiate* – Many credit cards will lower your interest rate if they fear you are about to transfer your balance and leave them. Cards will also frequently cooperate if you come to them with a payment plan.
- *Consider a second job* – Extra income can help you pay off more at a time and eliminate your debt faster.

- *Give up one habit* – Sweeping lifestyle changes may be hard to maintain, but it's easier to forgo a single habit, such as cable TV, high-speed Internet, a manicure, even a gym membership (you can exercise free). Use the extra money to pay off your debt.
- *Free up cash to pay down high-interest debt* – If you have money in your savings account, it is almost definitely earning less interest than you are paying on your credit card debit. Cash out the savings to pay your debt. If you have a 401(k) plan, you can suspend your contributions, but be careful not to jeopardize your employer's level of matching.
- *Make a spending plan* – Write down your income, monthly expenses and debts. Budget realistically, and keep an eye on where you need to cut back. Consider setting aside money for next year's holiday expenses: divide this year's expenditure by 52 and set aside that amount each week.
- *Seek help* – You can get free or low-cost credit counseling through an agency affiliated with the National Foundation for Credit Counseling (NFCC). Call (800) 388-2227 or log on to www.nfcc.org. Your EAP can also provide you with telephonic financial counseling, delivered by certified professional counselors.

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